

ANNUAL BUDGET OF
LEKWA TEEMANE
LOCAL
MUNICIPALITY

2018/2019 TO 2020/2021
MEDIUM TERM REVENUE AND EXPENDITURE
FORECASTS

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PART 1 – ANNUAL BUDGET

1.1 INTRODUCTION

The 2018/2019 Medium Term Revenue Expenditure Framework Budget is tabled during the period when the country has just embarked on a path of renewal and implementation of measures aimed at ensuring economic growth and sustainability. By so doing, the Minister of Finance in his budget speech announced certain key measures aimed at redressing the past adverse economic situation and setting the economy on a new growth path.

In presenting his budget before the National Assembly, the Minister amongst others announced an increase of one (01) percent in the rate of Value Added Tax (VAT), from a rate of 14 percent to a new rate of 15 percent, this will ensure that the Municipality raises additional revenue from VAT levied on Service Charges, as well as an Input VAT refund from the South African Receiver of Revenue (SARS), in relation to capital projects to be rolled out by the Municipality.

In developing the annual budget, the municipality remains mindful of the triple challenges of poverty, inequality and unemployment facing our communities. It is on the latter, that the Municipality has resolved to adopt a more conservative approach in tariff setting and determination. This is also augmented by the Municipality's resolution of keeping the tariff for assessments rates constant from the 2016/17, the Municipality has further resolved to increase the tariffs for services only by inflation rate of 5, 3 per cent as per Municipal Finance Management Act (MFMA) Circular 91. The latter indicates that the Municipality will only be recovering the cost of rendering the services without necessarily making any profit.

On our quest to alleviate the plight of poverty and providing much needed basic services to the communities, the Municipality has recommitted itself to providing free basic services to community members who have been certified as being indigent. Households who have been certified as being indigent are being provided with free six (06) kiloliters of water and fifty (50) kilowatts of electricity, the Municipality further provides free refuse removal and sanitation services to the indigent communities

Even though the Municipality has made strides in addressing and reversing the developmental backlog in as far as water, sanitation, electricity, roads and other infrastructure to the previously disadvantaged communities, the pace at which this services are being provided to the community members remains a concern and requires acceleration through efficient and effective use of resources available at our disposal, the Municipality has therefore made budget provisions for development of infrastructure assets with a view of constructing as well as upgrading existing assets.

The estimated revenue for the 2018/2019 financial year is R259 million which is made up of revenue anticipated to be raised from Property rates at R26 million, and R144 million to be generated from Service Charges, revenue from Operating Grants accounts for R48 million.

The above anticipated revenue will be appropriated to fund total operating expenditure of R284 million for the 2018/2019 budget year. The total operating expenditure comprises of R81 million budgeted from procurement of Bulk Water and Electricity, the other R60 million has been budgeted for Compensation of Employees. The remaining significant expenditure will be incurred on other general expenses at R20 million, expenditure on Repairs and Maintenance is budgeted at R14 million, while non-cash expenses of R62 million and R23 million will be incurred on Debt Impairment and on Depreciation and Asset Impairment respectively.

The capital grant of the municipality for the 2018/2019 financial year is R 19. 5 million and will be utilized for electrification of Geluksoord extension 4 at R5 million and construction of road infrastructure worth R14. 6 million.

In implementing of both operational and capital budgets, the municipality will ensure optimum compliance to Supply Chain Management Policy of the Municipality to ensure that our local community benefits from the implementation of both the operational and capital budgets in their areas in terms of the Preferential Procurement Policy Framework Act Regulations of 2017 as well as program of Villages, Townships and Small Dorpies (VTSD).

Our commitment remains the provision of democratic and accountable local government for our communities, provision of sustainable services, promotional of social and economic development, promotion of safe and healthy environment and encouraging the involvement of communities and community organizations in the matters of the municipality.

Together we can do more

1.2 COUNCIL RESOLUTIONS

LEKWA TEEMANE LOCAL MUNICIPALITY, PROPOSED MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) 2018 – 2021

The Council of Lekwa-Teemane Local Municipality convened on 31 May 2018 at All Seasons Resort in Christiana to table the annual budget for the 2018/19 budget year. The Council approved and adopted the following resolutions:

1. The Council of Lekwa-Teemane Local Municipality, acting in terms of Section 16(2) of the Municipal Finance Management Act (Act 56 of 2003) tables:

- 1.1. The annual budget of the municipality for the financial year 2018/19 and the multi-year and single-year capital appropriations as set out in the following tables:

- 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18 on page 24;

- 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19 on page 26;

- 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21 on page 28; and

- 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22 on page 30.

- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

- 1.2.1. Budgeted Financial Position as contained in Table 23 on page 32;

- 1.2.2. Budgeted Cash Flows as contained in Table 24 on page 34;

- 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25 on page 34;

- 1.2.4. Asset management as contained in Table 26 on page 36; and

- 1.2.5. Basic service delivery measurement as contained in Table 27 on page 38.

2. The Mayor of Batho Pele City Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables the following tariffs with effect from 31 May 2018, as set out in Annexure A:

- 2.1. tariffs for property rates,

- 2.2. tariffs for electricity

- 2.3. tariffs for the supply of water

- 2.4. tariffs for sanitation services

- 2.5. tariffs for solid waste services

- 2.6. tariffs for other services

1.3 EXECUTIVE SUMMARY

The below than anticipated economic growth has an adverse effect on economy at large and the consumers of Lekwa-Teemane Local Municipality are in no different state, it then follows that the 2018/19 Medium Term Revenue and Expenditure annual budget of Lekwa-Teemane Local Municipality in the current budget year 2018/19. The result of the latter is that the Municipality must be conservative in formulation of the budget in order to respond to the ever-shrinking revenue base coupled with an expanding demand for basic services.

In formulating the 2018/19 budget, the municipality had to carefully consider affordability of its consumers, the cost to the Municipality to deliver the services as well as setting the most reasonable and affordable tariff for the services delivered by the Municipality. Therefore, the application of sound financial management principles for the compilation of Lekwa-Teemane Local Municipality's financial plan is essential and critical to ensure that the municipality remains financially viable while delivering essential municipal services in the most sustainable, economical and equitable manner to all communities.

As mentioned above, the Municipality was very conservative and considerate to its consumers when setting tariffs for Municipal services, the latter is evident from the zero per cent increase in tariff for assessment rates, this is due to the recently implemented valuation roll which emerged with high property valuations and based on this the Council resolved to keep the assessment rate tariff constant as a measure of providing relief to the property owners.

All basic services rendered by the Municipality has increased by an inflation linked 5, 3 per cent from the 2017/18 tariff, this except for a tariff increase on electricity services, which increased by a 6, 8 per cent from the 2017/18 tariff. A tariff increase on electricity services is linked to a general tariff increase as recommended by the National Energy Regulator of South Africa (NERSA)

South Africa's inequality, unemployment as well as poverty gap continue to widen and this call for the Municipality to derive measures focused at aiding community members living below the breadline. The Municipality continues proving free basic service in the form of minimum amount of basic levels of services, provided on a day to day basis, sufficient to cover or cater for the basic needs of the poor households. The Municipality provides free six (06) kiloliters of water and fifty (50) kilowatts of electricity, the Municipality further provides free refuse removal and sanitation services to the indigent communities.

The municipality will continue with efforts by implementing a revenue enhancement strategy in order to identify new revenue raising measures, further to this, the Municipality will be intensifying on implementing and monitoring application of its credit control measures to enhance optimum revenue collection as well as recovery of debt owed by consumers.

The Municipality has resolved to amongst others implement cost containment as well as aggressive austerity measures aimed incurring expenditure only on essential items while curbing and eliminating non-core and unnecessary expenses. This will ensure that the Municipality employs efficiency allocation in deciding on items to be spend on.

The highest allocation is towards spending on procurement of bulk water and electricity, which is a clear indication and intention of the Municipality's resolve to intensify service delivery to the communities. The Municipality has recently resolved to implement new salary gradings as determined by the Job Evaluation Process, this has resulted in a 9 per cent escalation to the compensation of employees item, due to the latter, as well as the yet to be determined annual employees salary increase, the Municipality anticipates an above average increase in the salary bill, however, the impact of the increase in the salary bill will be

assessed further throughout the first semester of the 2018/19 budget year and any determinations and/or adjustments will be considered during the 2018/19 Adjustment Budget process.

The Municipality has also made provisions for impairment of debtors in anticipation of non-payment by customers who received services from the Municipality, the Municipality has made another provision for depreciation of assets due to loss of value from use. To counter for the latter, the Municipality has made provision for repairs and maintenance of assets to ensure that Municipal assets are retained in good working conditions for enhanced service delivery.

The Municipality anticipates the spending in procurement and construction of capital assets to be utilized for provision of services to the communities to be at R25.1 million. Procurement of capital assets includes procurement of capital assets to be utilized in and by the Municipality for service delivery such as procurement of office furniture and renovation of the building, as well as procurement and construction of capital assets for direct community consumption such as construction of roads and storm water channels and electricity connections dwellings of households.

Majority of the capital funding is from conditional capital grants received from the National Government at R23.6 million and R1, 5 million to be sourced from saving realized within the Municipality.

Table 1 Consolidated Overview of the 2018/19 MTREF

	Original Budget 2017/2018	Budget Year 2018/2019	Budget Year +1 2019/2020	Budget Year+2 2020/2021
	R '000	R '000	R '000	R '000
Total Operating Revenue	205 292	259 489	275 980	292 745
Total Operating Expenditure	(287 767)	(284 211)	(297 324)	(313 282)
Total Capital	23 228	19 579	28 416	25 852
Surplus/(Deficit) for the year after Capital contribution	(59 247)	(5 143)	7 071	5 315

Total operating revenue will increase by R 54 million for the 2018/19 financial year when compared to the 2017/18 Original Budget.

Total operating income for the 2018/19 financial year has been appropriated at R259 million, which spending on capital assets is anticipated to be at R19, 6 million with the total budget netting off to a reduced budget deficit of R5 million. The operational expenditure of R284 million includes non-cash items for R60 million and R23 million for both debt impairment and depreciation respectively.

The capital budget of R 19.6 million for 2018/19 is less than the R 23, 2 million for 2017/18 and this was due to decrease realized in the Integrated National Electrification Program conditional grant.

4. ANNUAL BUDGET TABLES

4.1. TABLE A1 – BUDGET SUMMARY

NW396 Lekwa-Teemane - Table A1 Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousands										
Financial Performance										
Property rates	10 113	11 988	15 697	22 900	25 847	25 847	25 847	25 874	27 297	28 799
Service charges	111 038	117 401	152 853	93 533	93 533	93 533	93 533	143 555	151 450	159 780
Investment revenue	278	299	14	29	29	29	29	12	15	16
Transfers recognised - operational	41 729	44 433	42 843	47 872	47 872	47 872	47 872	47 938	52 794	57 284
Other own revenue	65 830	49 687	59 600	246 251	40 934	40 934	40 934	301 599	44 424	46 867
Total Revenue (excluding capital transfers and contributions)	228 988	223 808	271 008	410 585	208 215	208 215	208 215	518 978	275 980	292 745
Employee costs	48 245	48 254	60 390	59 781	62 692	62 692	62 692	60 187	62 244	65 667
Remuneration of councillors	3 921	4 394	4 721	5 014	–	5 014	5 014	3 507	3 700	3 903
Depreciation & asset impairment	22 873	17 960	17 173	22 959	22 959	22 959	22 959	22 959	24 221	25 554
Finance charges	6 981	8 927	4 989	200	–	200	200	1 500	1 300	1 000
Materials and bulk purchases	60 016	66 964	68 508	103 191	89 593	106 014	106 014	95 652	101 013	107 575
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	381 707	110 797	67 056	96 623	35 686	97 682	97 682	100 405	104 846	109 583
Total Expenditure	523 744	257 296	222 836	287 767	210 930	294 561	294 561	284 211	297 324	313 282
Surplus/(Deficit)	(294 756)	(33 488)	48 172	122 817	(2 715)	(86 346)	(86 346)	234 767	(21 344)	(20 536)
Transfers and subsidies - capital (monetary allocation)	19 110	18 715	39 459	23 228	–	23 228	23 228	19 579	28 416	25 852
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(275 646)	(14 773)	87 631	146 045	(2 715)	(63 118)	(63 118)	254 346	7 071	5 315
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(275 646)	(14 773)	87 631	146 045	(2 715)	(63 118)	(63 118)	254 346	7 071	5 315
Capital expenditure & funds sources										
Capital expenditure	22 949	17 662	–	25 126	36 126	–	–	25 143	33 420	30 499
Transfers recognised - capital	19 636	17 327	–	23 468	34 468	–	–	23 579	32 416	29 852
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	3 313	336	–	1 658	1 658	–	–	1 564	1 004	647
Total sources of capital funds	22 949	17 662	–	25 126	36 126	–	–	25 143	33 420	30 499
Financial position										
Total current assets	31 335	27 585	116 000	200 894	207 160	207 160	207 160	221 600	229 875	238 437
Total non current assets	378 974	372 425	400 242	1 067 094	1 067 094	1 067 094	1 067 094	413 467	423 735	442 494
Total current liabilities	232 436	258 058	1 294	283 151	113 158	283 151	283 151	142 892	135 632	–
Total non current liabilities	34 281	35 263	–	26 200	26 200	26 200	26 200	23 294	30 618	–
Community wealth/Equity	143 592	106 689	514 947	958 638	1 134 897	964 904	964 904	468 882	487 359	680 931
Cash flows										
Net cash from (used) operating	(209 552)	5 928	53 783	(21 704)	(21 704)	29 168	29 168	10 989	11 539	12 116
Net cash from (used) investing	209 340	(23 232)	(45 578)	(20 726)	8 000	(26 977)	(26 977)	(12 340)	(12 957)	(13 605)
Net cash from (used) financing	(1 913)	(4 875)	(2 657)	(3 000)	–	–	–	–	–	–
Cash/cash equivalents at the year end	(389)	(22 569)	5 269	(40 161)	(8 435)	7 460	7 460	6 109	4 691	3 202
Cash backing/surplus reconciliation										
Cash and investments available	1 400	404	617 517	542 063	548 329	–	–	8 790	8 495	8 725
Application of cash and investments	203 895	221 181	–	56 775	36 858	–	–	(154 721)	(172 285)	(209 207)
Balance - surplus (shortfall)	(202 495)	(220 777)	617 517	485 288	511 471	–	–	163 511	180 780	217 932
Asset management										
Asset register summary (WDV)	376 205	637 228	679 585	393 808	–	393 808	–	526 233	575 086	802 423
Depreciation	28 317	32 963	–	22 959	–	–	–	22 959	24 221	25 554
Renewal of Existing Assets	–	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	5 170	3 134	2 678	16 421	–	16 421	–	14 364	15 155	15 988
Free services										
Cost of Free Basic Services provided	–	–	–	22 889	22 889	22 889	35 000	35 000	36 925	38 955
Revenue cost of free services provided	–	–	–	37 989	37 989	37 989	8 924	8 924	9 415	9 933
Households below minimum service level										
Water:	–	–	–	1	1	1	1	1	1	1
Sanitation/sewerage:	1	1	1	0	0	0	0	0	0	0
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	2	2	2	5	5	5	5	5	5	5

In the table above, the entire budget is summarised from the statement of financial performance right through to the service delivery table.

From the table above the municipality anticipates a revenue budget that will be growing steadily from 2018/19 budget year right through the two outer years. The anticipated growth pattern is reflected also on the expenditure side. What is worth noting however is a steady decline in the projected budget deficit in the current budget year as well as a projected budget surplus over the outer years, the latter indicates that the Municipality is projecting to consistently table a budget that will redress the past budget deficits.

Grants received anticipated to be received from organs of states also reflects a steady growth over the Medium-Term Revenue and Expenditure Framework (MTREF). Conditional allocation in respect of the Integrated National Electrification Programme (INEP) is declining and this is due to the fact the Municipality has made greater strides in respect of connecting households to the electricity grid, and as a consequence, the need for new electricity connections has declined and so as the related grant funding.

The Municipality had in the 2017/18 budget year developed and implemented a Municipal Infrastructure Grant (MIG) management plan with a primary focus being acceleration on delivery of MIG projects. Implementation of the plan was a resounding success as the Municipality accelerated its spending as anticipated and as a result an additional R11 million was allocated to the Municipality, hence the Adjustment budget for 2017/18 reflects an additional R11 million.

The statement of financial position reflects that the Municipality has a positive liquidity status, this is evident from the total current assets which exceeds the total current liabilities, and this implies that the municipality will be in a position to settle its current liabilities as they become due. The latter can be confirmed by a cash flow statement which reflects and anticipated supplies cash and cash equivalents at year end.

TABLE A2 – FINANCIAL PERFORMANCE BY FUNCTIONAL CLASSIFICATION

NW396 Lekwa-Teemane - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1									
Revenue - Functional										
<i>Governance and administration</i>		71 904	79 927	116 475	86 286	–	86 286	49 982	53 790	57 530
Executive and council		32 345	39 066	68 145	24 641	–	24 641	–	–	–
Finance and administration		39 559	40 860	48 330	61 645	–	61 645	49 982	53 790	57 530
Internal audit		–	–	–	–	–	–	–	–	–
<i>Community and public safety</i>		33 109	21 380	17 823	21 688	–	21 688	1 269	1 338	1 412
Community and social services		485	497	756	1 269	–	1 269	1 269	1 338	1 412
Sport and recreation		1	2	10	–	–	–	–	–	–
Public safety		32 213	20 710	16 437	20 419	–	20 419	–	–	–
Housing		384	170	618	–	–	–	–	–	–
Health		26	1	3	–	–	–	–	–	–
<i>Economic and environmental services</i>		13	51	19	19	–	19	35 392	37 574	39 417
Planning and development		–	–	–	–	–	–	780	823	868
Road transport		13	51	19	19	–	19	34 612	36 751	38 550
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		143 072	141 165	175 477	155 517	–	155 517	192 425	211 694	220 238
Energy sources		61 897	66 684	81 734	66 701	–	66 701	90 488	103 076	104 901
Water management		41 076	35 154	57 507	43 319	–	43 319	45 081	47 823	50 636
Waste water management		27 743	19 681	21 870	20 444	–	20 444	29 951	32 074	34 167
Waste management		12 356	19 646	14 366	25 052	–	25 052	26 906	28 721	30 534
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
Total Revenue - Functional	2	248 098	242 523	309 794	263 509	–	263 509	279 068	304 396	318 597
Expenditure - Functional										
<i>Governance and administration</i>		378 848	81 413	81 218	84 318	–	84 318	83 682	86 058	90 791
Executive and council		350 159	46 147	32 323	18 352	–	18 352	21 466	22 583	23 825
Finance and administration		28 690	35 266	48 894	65 966	–	65 966	62 216	63 475	66 966
Internal audit		–	–	–	–	–	–	–	–	–
<i>Community and public safety</i>		10 711	7 368	8 174	13 413	–	13 413	4 271	4 506	4 753
Community and social services		2 345	2 525	881	5 030	–	5 030	4 171	4 400	4 642
Sport and recreation		249	250	194	300	–	300	100	106	111
Public safety		7 717	4 445	7 085	8 083	–	8 083	–	–	–
Housing		400	97	(6)	–	–	–	–	–	–
Health		–	52	19	–	–	–	–	–	–
<i>Economic and environmental services</i>		17 879	9 340	8 693	25 606	–	25 606	31 723	33 467	35 263
Planning and development		815	395	–	749	–	749	780	823	823
Road transport		17 064	8 944	8 693	24 857	–	24 857	30 943	32 645	34 440
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		116 306	159 175	124 752	160 370	–	160 370	160 349	169 166	178 469
Energy sources		71 260	51 627	51 073	79 896	–	79 896	78 201	82 502	87 039
Water management		25 756	58 917	43 911	47 831	–	47 831	46 216	48 757	51 437
Waste water management		12 939	100	168	10 998	–	10 998	15 138	15 971	16 849
Waste management		6 351	48 531	29 599	21 646	–	21 646	20 794	21 938	23 144
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
Total Expenditure - Functional	3	523 744	257 296	222 836	283 707	–	283 707	280 024	293 198	309 277
Surplus/(Deficit) for the year		(275 646)	(14 773)	86 959	(20 197)	–	(20 197)	(956)	11 198	9 320

The table above reflects the total revenue to be raised as well as total expenditure to be incurred per function of the municipality.

What is with noting in this table is that the responsibility for revenue generation has been allocated to the Budget and Treasury Office, this is because revenue raised/billed from service charges property rates as well as a portion of operating grants received from national government are located under the Budget and Treasury Office. Capital grants for procurement and construction of capital assets are located under economy and environmental services.

As indicated above, Municipal Infrastructure Grant (MIG) as well as the Integrated National Electrification Programme Grant (INEP) as received for procurement and construction of

capital assets, have been allocated under economy and environmental services in as far as revenue budget is concerned, the Municipality has again allocated the related expenditure under economy and environmental services to account for capital assets which will be procured and/or constructed.

The municipality reflects very healthy trade- off between revenue to be generated from trading services in the form of;

- Electricity services
- Water Services
- Sanitation services; and
- Refuse removal services

as well as expenditure to be incurred on the same trading services.

This is evident from the trading surplus that is anticipated to be generated from the services to be rendered by the Municipality to the customers.

TABLE A3 -

NW396 Lekwa-Teemane - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue by Vote	1									
Vote 1 - Municipale Manager		32 345	39 066	68 145	23 977	-	23 977	-	-	-
Vote 2 - Budget and treasury		39 177	40 103	47 543	61 629	-	61 629	49 982	53 790	57 530
Vote 3(CORPORATE SERICES)		382	758	787	680	-	680	-	-	-
Vote 4 (COMMUNITY SERVICES)		33 109	21 380	17 823	21 688	-	21 688	1 269	1 338	1 412
Vote 5(technical Services)		143 085	141 216	175 496	155 536	-	155 536	227 817	249 267	259 655
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	248 098	242 523	309 794	263 509	-	263 509	279 068	304 396	318 597
Expenditure by Vote to be appropriated	1									
Vote 1 - Municipale Manager		350 159	46 147	32 323	18 352	-	18 352	21 466	22 583	23 825
Vote 2 - Budget and treasury		9 063	17 784	23 013	48 154	-	48 154	62 216	63 475	66 966
Vote 3(CORPORATE SERICES)		20 442	17 878	25 881	17 812	-	17 812	-	-	-
Vote 4 (COMMUNITY SERVICES)		10 711	7 368	8 174	13 413	-	13 413	4 271	4 506	4 753
Vote 5(technical Services)		133 369	168 119	133 445	185 976	-	185 976	192 071	202 634	213 732
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	523 744	257 296	222 836	283 707	-	283 707	280 024	293 198	309 277
Surplus/(Deficit) for the year	2	(275 646)	(14 773)	86 959	(20 197)	-	(20 197)	(956)	11 198	9 320

TABLE A4 – STATEMENT OF FINANCIAL PERFORMANCE

NW396 Lekwa-Teemane - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1										
Revenue By Source											
Property rates	2	10 113	11 988	15 697	22 900	25 847	25 847	25 847	25 874	27 297	28 799
Service charges - electricity revenue	2	51 319	56 299	68 988	63 144	63 144	63 144	63 144	81 488	85 970	90 698
Service charges - water revenue	2	29 467	29 453	49 598	27 530	27 530	27 530	27 530	34 360	36 250	38 243
Service charges - sanitation revenue	2	17 988	18 896	20 282	(2 740)	(2 740)	(2 740)	(2 740)	13 102	13 822	14 583
Service charges - refuse revenue	2	12 263	12 753	13 985	5 599	5 599	5 599	5 599	14 605	15 408	16 256
Service charges - other		–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		785	831	786	712	621	621	621	666	703	742
Interest earned - external investments		278	299	14	29	29	29	29	12	15	16
Interest earned - outstanding debtors		23 313	24 551	30 032	19 405	19 405	19 405	19 405	19 910	21 003	22 158
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		30 223	18 985	14 528	18 196	18 196	18 196	18 196	18 176	19 175	20 230
Licences and permits		1 666	1 611	1 909	2 224	2 224	2 224	2 224	–	–	–
Agency services		–	–	–	–	–	–	–	2 624	2 769	2 921
Transfers and subsidies		41 729	44 433	42 843	47 872	47 872	47 872	47 872	47 938	52 794	57 284
Other revenue	2	9 843	3 709	12 345	422	489	489	489	734	774	817
Gains on disposal of PPE		–	–	–	205 292	–	–	–	259 489	–	–
Total Revenue (excluding capital transfers and contributions)		228 988	223 808	271 008	410 585	208 215	208 215	208 215	518 978	275 980	292 745
Expenditure By Type											
Employee related costs	2	48 245	48 254	60 390	59 781	62 692	62 692	62 692	60 187	62 244	65 667
Remuneration of councillors		3 921	4 394	4 721	5 014	–	5 014	5 014	3 507	3 700	3 903
Debt impairment	3	95 973	55 742	13 604	61 996	–	61 996	61 996	61 996	65 406	69 003
Depreciation & asset impairment	2	22 873	17 960	17 173	22 959	22 959	22 959	22 959	22 959	24 221	25 554
Finance charges		6 981	8 927	4 989	200	–	200	200	1 500	1 300	1 000
Bulk purchases	2	54 846	63 829	65 835	86 770	89 593	89 593	89 593	81 383	85 859	90 581
Other materials	8	5 170	3 134	2 672	16 421	–	16 421	16 421	14 270	15 154	16 994
Contracted services		6 806	6 086	12 748	19 442	20 501	20 501	20 501	18 148	19 086	20 135
Transfers and subsidies		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	47 267	44 023	40 704	15 186	15 186	15 186	15 186	20 261	20 355	20 444
Loss on disposal of PPE		231 662	4 946	–	–	–	–	–	–	–	–
Total Expenditure		523 744	257 296	222 836	287 767	210 930	294 561	294 561	284 211	297 324	313 282
Surplus/(Deficit)		(294 756)	(33 488)	48 172	122 817	(2 715)	(86 346)	(86 346)	234 767	(21 344)	(20 536)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		19 110	18 715	39 459	23 228	–	23 228	23 228	19 579	28 416	25 852
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Education and Training Institutions)	6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		(275 646)	(14 773)	87 631	146 045	(2 715)	(63 118)	(63 118)	254 346	7 071	5 315
Taxation		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation		(275 646)	(14 773)	87 631	146 045	(2 715)	(63 118)	(63 118)	254 346	7 071	5 315
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality		(275 646)	(14 773)	87 631	146 045	(2 715)	(63 118)	(63 118)	254 346	7 071	5 315
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year		(275 646)	(14 773)	87 631	146 045	(2 715)	(63 118)	(63 118)	254 346	7 071	5 315

The municipality has recently implemented the new valuation roll wherein values of most of the properties in town have increased. To cater for increase in the property values the municipal Council resolved to freeze an increase in the tariffs for property rates in order to bring relief to the affected consumers, hence the below inflation rate increase in the property rates item.

As indicated above the municipality will be increasing the tariffs for service charges with an inflation linked increase of 5.3% only the electricity services will increase by a 6.8% as its tariff that is approved by the national electricity regulator of South Africa (NERSA). Other revenue items are expected to also increase by an inflation linked rate of 5.3%.

The growing rate of poverty and unemployment leads to high indigency levels in the community of Lekwa-Teemane, hence the growing indigency book can only translate to many community members not being able to pay for their services and the municipality is then compelled to settle the account on behalf of the consumers and this is done through the Impairment and subsequent write-off of outstanding debts. The municipality therefore anticipates writing off outstanding debts amounting to R62 million.

Continued unbundling of capital assets as well as construction and procurement of new capital assets leads to an increased depreciation amount. Hence the Municipality has made a budget provision of R23 million for depreciation of assets.

As already indicated above the assets of the municipality are old and dilapidated hence a need for them to be constantly repaired and maintained so that they can be used to continuously provide basic services to the communities. The municipality has therefore made a budget allocation of R14 million towards repairs and maintenance of infrastructure assets.

The municipality continues placing more reliance on the work of professionals and consultants due to lack of capacity, skill, knowledge and experience within the municipality. It is for this reason that the municipality has budgeted R18 million towards procurement of professional services from experts in respective fields.

Other expenditure budget includes allocation for stationary and printing, telephone costs, Internet costs, hiring of tents and chairs for community consultative meetings, cost of advertisements as well as other ancillary costs to the municipality. The municipality was mindful of the cost containment measures aimed at reducing non-core and non-essential expenditure to the municipality when deciding on Other expenditure items, hence only essential in core items are included under this item and only increased by the inflation rate adjustment as well as an additional 1 per cent VAT increase.

NW396 Lekwa-Teemane - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			Pre-audit outcome	2018/19 Medium Term Revenue & Expenditure		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Municipale Manager		-	90	119	-	-	-	-	-	-	-
Vote 2 - Budget and treasury		681	193	145	-	-	-	-	-	-	-
Vote3 - CorporateServices		126	24	30	340	-	-	-	-	-	-
Vote4 - Community Services		38	-	268	4 556	-	-	-	-	-	-
Vote5 - Technical Services		22 105	17 355	33 682	19 990	20 832	-	-	-	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	22 949	17 662	34 244	24 886	20 832	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - Municipale Manager		-	-	-	-	-	-	-	2 125	-	-
Vote 2 - Budget and treasury		-	-	-	240	-	-	-	1 870	-	-
Vote3 - CorporateServices		-	-	-	-	-	-	-	-	-	-
Vote4 - Community Services		-	-	-	-	-	-	-	55	-	-
Vote5 - Technical Services		-	-	-	-	-	-	-	24 185	27 593	24 984
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	240	-	-	-	28 235	27 593	24 984
Total Capital Expenditure - Vote		22 949	17 662	34 244	25 126	20 832	-	-	28 235	27 593	24 984
Capital Expenditure - Functional											
Governance and administration		806	308	-	580	580	-	-	3 370	2 976	2 738
Executive and council		-	90	-	-	-	-	-	500	250	475
Finance and administration		681	193	-	580	580	-	-	2 870	2 726	2 263
Internal audit		126	24	-	-	-	-	-	-	-	-
Community and public safety		38	-	-	4 556	4 556	-	-	55	-	-
Community and social services		13	-	-	3 655	3 655	-	-	55	-	-
Sport and recreation		-	-	-	902	902	-	-	-	-	-
Public safety		26	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		7 128	12 996	-	9 832	20 832	-	-	14 935	15 831	16 781
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		7 128	12 996	-	9 832	20 832	-	-	14 935	15 831	16 781
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		14 941	4 359	-	10 158	10 158	-	-	6 783	14 612	10 980
Energy sources		14 941	4 272	-	9 998	9 998	-	-	6 783	14 612	10 980
Water management		-	87	-	160	160	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
Other		36	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	22 949	17 662	-	25 126	36 126	-	-	25 143	33 420	30 499
Funded by:											
National Government		19 636	17 327	-	23 468	34 468	-	-	23 579	32 416	29 852
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	19 636	17 327	-	23 468	34 468	-	-	23 579	32 416	29 852
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		3 313	336	-	1 658	1 658	-	-	1 564	1 004	647
Total Capital Funding	7	22 949	17 662	-	25 126	36 126	-	-	25 143	33 420	30 499

TABLE A5 – CAPITAL EXPENDITURE

Total capital budget of the Municipality is at R23 million, majority of which is grants received from the national government in the form of Municipal Infrastructure Grant as well as the Integrated National Electrification Programme Grant, the municipality will then contribute R 1.5 million from its internally generated funding.

The Municipality is facing huge development backlogs in as far as road construction as well as electrical connections two households are concerned, the municipal Council resolved that the municipality must dedicate a concerted effort towards eradication of road infrastructure as well as electrical connection backlog is concerned.

It is on above reasons that the entire municipal infrastructure grant has been dedicated towards construction of new roads and no budget allocation has been made available towards upgrading of existing roads, similarly on the Integrated National Electrification Programme Grant, that municipality has also decided to dedicate the entire grant towards connection of new household to their power grid.

Part of the internally generated funding will be utilised towards augmenting the Finance Management Grant (FMG) in order to procure a financial system which is compliant with all the requirements of the Municipal Standard Charts of Accounts (mSCOA), while the remaining capital budget will then be dedicated towards procurement of office furniture and computer equipment.

The Municipality has again developed an MIG implementation plan which is aimed at streamlining the planning as well as delivery of MIG projects so as to ultimately enhance spending on the allocated capital grant. Part of the reasons is for the municipality to accelerate spending on current allocations in order to be considered for additional allocations which, if received, will assist the Municipality in addressing past developmental and service delivery backlogs.

TABLE A6 – STATEMENT OF FINANCIAL POSITION

NW396 Lekwa-Teemane - Table A6 Budgeted Financial Position

Description		Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
ASSETS												
Current assets												
Cash			–	–	3 653		2 988	2 988	2 988	2 876	2 589	2 770
Call investment deposits	1		1 790	682	3 539	–	3 278	3 278	3 278	5 214	5 277	5 281
Consumer debtors	1		18 699	21 210	3 318	187 795	187 795	187 795	187 795	199 004	208 954	216 417
Other debtors			9 979	5 594	105 386	13 000	13 000	13 000	13 000	14 356	12 920	13 825
Current portion of long-term receivables			–	–	–	–	–	–	–	–	–	–
Inventory	2		867	99	105	99	99	99	99	150	135	144
Total current assets			31 335	27 585	116 000	200 894	207 160	207 160	207 160	221 600	229 875	238 437
Non current assets												
Long-term receivables			2 086	5 111	7 564	20 181	20 181	20 181	20 181	25 476	22 928	24 533
Investments			–	–	–	652 916	652 916	652 916	652 916	700	630	674
Investment property			25 872	26 322	26 520	26 322	26 322	26 322	26 322	–	–	–
Investment in Associate			20	–	–	20	20	20	20	20	20	20
Property, plant and equipment	3		350 163	340 439	365 666	367 122	367 122	367 122	367 122	386 907	399 792	416 903
Agricultural			–	–	–	–	–	–	–	–	–	–
Biological			–	–	–	–	–	–	–	–	–	–
Intangible			663	364	254	364	364	364	364	364	364	364
Other non-current assets			170	190	238	170	170	170	170	–	–	–
Total non current assets			378 974	372 425	400 242	1 067 094	1 067 094	1 067 094	1 067 094	413 467	423 735	442 494
TOTAL ASSETS			410 309	400 010	516 241	1 267 989	1 274 254	1 274 254	1 274 254	635 068	653 609	680 931
LIABILITIES												
Current liabilities												
Bank overdraft	1		389	278	–	110 853	110 853	110 853	110 853	–	–	–
Borrowing	4		6 420	7 151	–	–	–	–	–	–	–	–
Consumer deposits			1 101	1 183	1 294	1 183	1 183	1 183	1 183	–	–	–
Trade and other payables	4		223 289	248 324	–	169 993	–	169 993	169 993	142 892	135 632	–
Provisions			1 236	1 122	–	1 122	1 122	1 122	1 122	–	–	–
Total current liabilities			232 436	258 058	1 294	283 151	113 158	283 151	283 151	142 892	135 632	–
Non current liabilities												
Borrowing			2 375	944	–	9 863	9 863	9 863	9 863	–	–	–
Provisions			31 906	34 319	–	16 336	16 336	16 336	16 336	23 294	30 618	–
Total non current liabilities			34 281	35 263	–	26 200	26 200	26 200	26 200	23 294	30 618	–
TOTAL LIABILITIES			266 717	293 321	1 294	309 350	139 358	309 350	309 350	166 186	166 250	–
NET ASSETS	5		143 592	106 689	514 947	958 638	1 134 897	964 904	964 904	468 882	487 359	680 931
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)			143 592	106 689	514 947	958 638	1 134 897	964 904	964 904	468 882	487 359	680 931
Reserves	4		–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5		143 592	106 689	514 947	958 638	1 134 897	964 904	964 904	468 882	487 359	680 931

The Municipality anticipates to have a Cash and Cash Equivalents balance of R8 million as at the end of the 2018/19 budget year, the amount will be made up of cash on hand of R2.8 million as well as call deposit investments of R5 million. Consumer debtors balance is anticipated to be at R199 million, this is a net balance after considering anticipated write-off on long outstanding debtors.

There is anticipated significant growth in Property, plant and equipment, and this is due to construction of additional assets as a result of additional funding received from the Municipal Infrastructure Grant (MIG). The anticipated balance being disclosed is the net balance after taking depreciation into account.

The Municipality has resolved to implement measures aimed at tight fiscal discipline, which amongst others include cost containment. These measures will ensure that the Municipality only on core expenditure items while ensuring that no new debts are created and surplus funds are retained in the Municipality. It is for the latter reason that the Municipality will not be overdrawing on its bank account.

Eradication of old debts is one of the priority points of the Municipality, hence the Municipality will, in the 2018/19 budget year, be striving to pay all its accounts as they fall due thereby reducing the prevalence of fruitless and wasteful expenditure resulting from interest charged on unpaid accounts. In a quest to reduce the creditors' book, the Municipality will be making additional payments towards the long outstanding accounts.

TABLE A7 – CASH FLOW STATEMENT

NW396 Lekwa-Teemane - Table A7 Budgeted Cash Flows

Description		Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates				–		14 656	14 656	27 301	27 301	18 371	19 289	20 254
Service charges			125 391	158 654	168 901	82 254	82 254	92 128	92 128	97 650	102 532	107 659
Other revenue				–	–	8 554	8 554	8 554	8 554	14 764	15 502	16 278
Government - operating		1	40 883	37 527	26 086	47 123	47 123	47 123	47 123	47 938	50 335	52 852
Government - capital		1	21 352	19 437	40 617	23 977	23 977	34 977	34 977	25 143	26 400	27 720
Interest			278	299	14	12 448	12 448	9 196	9 196	6 379	6 698	7 033
Dividends			–	–	–	–	–	–	–	–	–	–
Payments												
Suppliers and employees			(390 474)	(201 063)	(176 846)	(210 516)	(210 516)	(189 911)	(189 911)	(197 756)	(207 644)	(218 026)
Finance charges			(6 981)	(8 927)	(4 989)	(200)	(200)	(200)	(200)	(1 500)	(1 575)	(1 654)
Transfers and Grants		1	–	–	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES			(209 552)	5 928	53 783	(21 704)	(21 704)	29 168	29 168	10 989	11 539	12 116
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE			231 662	4 278	2 374	–	–	–	–	–	–	–
Decrease (Increase) in non-current debtors			–	–	–	8 000	8 000	8 000	8 000	12 803	13 443	14 115
Decrease (increase) other non-current receivables			–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments			278	(1 918)	(2 904)	–	–	–	–	–	–	–
Payments												
Capital assets			(22 600)	(25 592)	(45 048)	(28 726)	–	(34 977)	(34 977)	(25 143)	(26 400)	(27 720)
NET CASH FROM/(USED) INVESTING ACTIVITIES			209 340	(23 232)	(45 578)	(20 726)	8 000	(26 977)	(26 977)	(12 340)	(12 957)	(13 605)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans			–	–	62	–	–	–	–	–	–	–
Borrowing long term/refinancing			–	–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits			–	–	–	–	–	–	–	–	–	–
Payments												
Repayment of borrowing			(1 913)	(4 875)	(2 719)	(3 000)	–	–	–	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES			(1 913)	(4 875)	(2 657)	(3 000)	–	–	–	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD			(2 125)	(22 179)	5 547	(45 430)	(13 704)	2 191	2 191	(1 351)	(1 418)	(1 489)
Cash/cash equivalents at the year begin:		2	1 735	(389)	(278)	5 269	5 269	5 269	5 269	7 460	6 109	4 691
Cash/cash equivalents at the year end:		2	(389)	(22 569)	5 269	(40 161)	(8 435)	7 460	7 460	6 109	4 691	3 202

The Municipality anticipates implementing a number of financial management measures which are aimed at improving the overall cash flow status of the institution. Some of the measures include implementation of cost containment policy as well as aggressive implementation of credit control and debt management policies to ensure that more money is raised and spent wisely, thereby retaining most of it in the organization.

The above is indicative in the above Cash Flow Statement which reflects an anticipated improved cash management, the latter can be witnessed from the positive net cash from operating activities, as well as the overall positive outcome in the form of a positive/surplus result in the Cash and Cash Equivalents at year end.

TABLE A8 –

NW396 Lekwa-Teemane - Table A8 Cash backed reserves/accumulated surplus reconciliation

NW336 Lekwa - Technical - Table A3 Cash backed reserves/accumulated surplus/recontribution											
Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
<u>Cash and investments available</u>											
Cash/cash equivalents at the year end	1	(389)	(278)	–	(52 835)	3 974	–	–	8 090	12 412	16 951
Other current investments > 90 days		1 790	682	–	(58 018)	(108 561)	–	–	0	(4 547)	(8 899)
Non current assets - Investments	1	–	–	617 517	652 916	652 916	–	–	700	630	674
Cash and investments available:		1 400	404	617 517	542 063	548 329	–	–	8 790	8 495	8 725
<u>Application of cash and investments</u>											
Unspent conditional transfers		6 762	600	–	600	600	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2	–	6 013	–	6 800	–	–	–	–	–	–
Other working capital requirements	3	195 898	213 446	–	48 253	36 258	–	–	(154 721)	(172 285)	(209 207)
Other provisions		1 236	1 122	–	1 122	–	–	–	–	–	–
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	–	–	–	–	–	–	–	–	–	–
Total Application of cash and investments:		203 895	221 181	–	56 775	36 858	–	–	(154 721)	(172 285)	(209 207)
Surplus(shortfall)		(202 495)	(220 777)	617 517	485 288	511 471	–	–	163 511	180 780	217 932

The Municipality anticipates a positive balance as at end of the financial year, and this is as per the above funding compliance table.

The above anticipated funded budget is influenced by the anticipated positive balance in the form of cash on hand as well as the call deposits of the Municipality. The other contributing factor is the anticipated recovery of money owed to the Municipality by consumers.

The Municipality is cautious and conservative in terms of collection of outstanding debts, given the current lower collection rate. The Municipality has however implemented and will continue to implement stringent and rigorous debt management as well as credit control measures in order to collect the most of outstanding debts and to ultimately fund the outstanding creditors.

TABLE A9 –

NW396 Lekwa-Teemane - Table A9 Asset Management

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	22 956	17 683	44 536	15 214	-	-	28 235	28 416	25 852
Roads Infrastructure		-	-	12 836	-	-	-	14 579	15 616	16 252
Electrical Infrastructure		-	-	15 000	9 000	-	-	7 100	12 800	9 600
Water Supply Infrastructure		-	-	-	-	-	-	350	-	-
Infrastructure		-	-	27 836	9 000	-	-	22 029	28 416	25 852
Community Facilities		-	-	1 200	3 655	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	902	-	-	-	-	-
Community Assets		-	-	1 200	4 556	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		13	-	300	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		13	-	300	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Serv itudes		-	-	-	-	-	-	-	-	-
Licences and Rights		43	36	-	-	-	-	-	-	-
Intangible Assets		43	36	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	986	-	-
Furniture and Office Equipment		374	17 647	14 000	-	-	-	2 285	-	-
Machinery and Equipment		22 470	-	-	-	-	-	1 235	-	-
Transport Assets		57	-	1 200	1 658	-	-	1 700	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets	2	-	-	-	-	-	-	-	-	-
Total Upgrading of Existing Assets	6	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4									
Roads Infrastructure		-	-	12 836	-	-	-	14 579	15 616	16 252
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	15 000	9 000	-	-	7 100	12 800	9 600
Water Supply Infrastructure		-	-	-	-	-	-	350	-	-
Infrastructure		-	-	27 836	9 000	-	-	22 029	28 416	25 852
Community Facilities		-	-	1 200	3 655	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	902	-	-	-	-	-
Community Assets		-	-	1 200	4 556	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		13	-	300	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		13	-	300	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Serv itudes		-	-	-	-	-	-	-	-	-
Licences and Rights		43	36	-	-	-	-	-	-	-
Intangible Assets		43	36	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	986	-	-
Furniture and Office Equipment		374	17 647	14 000	-	-	-	2 285	-	-
Machinery and Equipment		22 470	-	-	-	-	-	1 235	-	-
Transport Assets		57	-	1 200	1 658	-	-	1 700	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class		22 956	17 683	44 536	15 214	-	-	28 235	28 416	25 852

ASSET REGISTER SUMMARY - PPE (WDV)	5									
Roads Infrastructure		168 465	166 883	156 396	87 786		87 786	166 135	175 106	184 736
Storm water Infrastructure				-						
Electrical Infrastructure		83 567	86 130	80 011	41 900		41 900	94 331	99 454	104 893
Water Supply Infrastructure		-			103 258		103 258	100 667	106 103	111 938
Sanitation Infrastructure		8 668	16 921	50 569	-		-			
Solid Waste Infrastructure		4 864	-	-	-		-			
Rail Infrastructure					-		-			
Coastal Infrastructure					-		-			
Information and Communication Infrastructure					-		-			
Infrastructure		265 565	269 934	286 976	232 943	-	232 943	361 133	380 663	401 567
Community Facilities		9 029	8 630	8 157	196		196	196	20 615	217 489
Sport and Recreation Facilities			269 934	286 976	347		347	337	356	375
Community Assets		9 029	278 564	295 133	543	-	543	533	20 971	217 864
Heritage Assets										
Revenue Generating										
Non-revenue Generating		170	170	170						
Investment properties		170	170	170	-	-	-	-	-	-
Operational Buildings		25 872	26 322	26 520	31 500		31 500	31 500	33 201	35 027
Housing					-					
Other Assets		25 872	26 322	26 520	31 500	-	31 500	31 500	33 201	35 027
Biological or Cultivated Assets					-					
Servitudes			61 874	70 533	-					
Licences and Rights				-	550		550	550	580	612
Intangible Assets		-	61 874	70 533	550	-	550	550	580	612
Computer Equipment			364	254	(459)		(459)	527	555	586
Furniture and Office Equipment					-		-	2 285	2 408	2 541
Machinery and Equipment		75 570	-	-	129 472		129 472	129 518	136 511	144 020
Transport Assets					(742)		(742)	187	197	207
Libraries					-		-			
Zoo's, Marine and Non-biological Animals					-		-			
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	376 205	637 228	679 585	393 808	-	393 808	526 233	575 086	802 423
EXPENDITURE OTHER ITEMS										
Depreciation	7	28 317	32 963	-	22 959	-	-	22 959	24 221	25 554
Repairs and Maintenance by Asset Class	3	5 170	3 134	2 678	16 421	-	16 421	14 364	15 155	15 988
Roads Infrastructure		860	484	33	10 000	-	10 000	10 000	10 550	11 130
Storm water Infrastructure		-	-	-	100	-	100	100	106	111
Electrical Infrastructure		1 005	278	799	1 780	-	1 780	2 430	2 564	2 705
Water Supply Infrastructure		1 250	588	773	1 025	-	1 025	411	434	457
Sanitation Infrastructure		-	10	8	100	-	100	100	106	111
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		3 115	1 359	1 614	13 005	-	13 005	13 041	13 759	14 515
Community Facilities		146	590	3	-	-	-	-	-	-
Sport and Recreation Facilities		13	21	55	10	-	10	10	11	11
Community Assets		159	610	59	10	-	10	10	11	11
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		307	-	19	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		307	-	19	-	-	-	-	-	-
Operational Buildings		-	-	-	213	-	213	455	480	506
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	213	-	213	455	480	506
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	2	-	-	-	-	-	-	-
Furniture and Office Equipment		142	192	7	50	-	50	10	11	11
Machinery and Equipment		610	440	301	1 070	-	1 070	77	81	85
Transport Assets		838	531	679	2 073	-	2 073	771	814	858
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS		33 487	36 097	2 678	39 379	-	16 421	37 323	39 376	41 542

NW396 Lekwa-Teemane - Table A10 Basic service delivery measurement

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Household service targets	1									
Water:										
Piped water inside dwelling		4 683	4 683	4 683	4 360	4 360	4 360	4 360	4 595	4 948
Piped water inside yard (but not in dwelling)		5 245	5 245	5 245	9 965	9 965	9 965	9 965	10 503	11 080
Using public tap (at least min.service level)	2	1 721	1 721	1 721	231	231	231	231	243	267
Other water supply (at least min.service level)	4	718	718	718	70	70	70	70	70	70
<i>Minimum Service Level and Above sub-total</i>		12 367	12 367	12 367	14 626	14 626	14 626	14 626	15 411	16 365
Using public tap (< min.service level)	3	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	-	-	-	-	-	-	-	-	-
No water supply		-	-	-	718	718	718	718	718	718
<i>Below Minimum Service Level sub-total</i>		-	-	-	718	718	718	718	718	718
Total number of households	5	12 367	12 367	12 367	15 344	15 344	15 344	15 344	16 129	17 083
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		10 443	10 443	10 443	12 872	12 872	12 872	12 872	12 872	12 872
Flush toilet (with septic tank)		-	-	-	575	575	575	575	575	575
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		739	739	739	152	152	152	152	152	152
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		11 182	11 182	11 182	13 599	13 599	13 599	13 599	13 599	13 599
Bucket toilet		738	738	738	7	7	7	7	7	7
Other toilet provisions (< min.service level)		-	-	-	-	-	-	-	-	-
No toilet provisions		448	448	448	12	12	12	12	12	12
<i>Below Minimum Service Level sub-total</i>		1 186	1 186	1 186	19	19	19	19	19	19
Total number of households	5	12 368	12 368	12 368	13 618	13 618	13 618	13 618	13 618	13 618
Energy:										
Electricity (at least min.service level)		10 140	10 140	10 140	12 771	12 771	12 771	12 771	12 771	12 771
Electricity - prepaid (min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		10 140	10 140	10 140	12 771	12 771	12 771	12 771	12 771	12 771
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-	-
Other energy sources		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	10 140	10 140	10 140	12 771	12 771	12 771	12 771	12 771	12 771
Refuse:										
Removed at least once a week		10 683	10 683	10 683	10 900	-	-	10 900	10 900	10 900
<i>Minimum Service Level and Above sub-total</i>		10 683	10 683	10 683	10 900	-	-	10 900	10 900	10 900
Removed less frequently than once a week		75	75	75	240	240	240	240	240	240
Using communal refuse dump		-	-	-	1 748	1 748	1 748	1 748	1 748	1 748
Using own refuse dump		1 582	1 582	1 582	1 582	1 582	1 582	1 582	1 582	1 582
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		29	29	29	1 117	1 117	1 117	1 117	1 117	1 117
<i>Below Minimum Service Level sub-total</i>		1 686	1 686	1 686	4 687	4 687	4 687	4 687	4 687	4 687
Total number of households	5	12 369	12 369	12 369	15 587	4 687	4 687	15 587	15 587	15 587
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		-	-	-	7 092	7 092	7 092	7 092	7 475	7 886
Sanitation (free minimum level service)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)		-	-	-	7 092	7 092	7 092	7 092	7 475	7 886
Refuse (removed at least once a week)		-	-	-	7 092	7 092	7 092	7 092	7 475	7 886
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		-	-	-	3 842	3 842	3 842	10 341	10 910	11 510
Sanitation (free sanitation service to indigent households)		-	-	-	10 556	10 556	10 556	13 128	13 850	14 611
Electricity/other energy (50kwh per indigent household per month)		-	-	-	1 024	1 024	1 024	1 524	1 607	1 696
Refuse (removed once a week for indigent households)		-	-	-	7 460	7 460	7 460	10 000	10 550	11 130
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		-	-	-	7	7	7	7	7	8
Total cost of FBS provided		-	-	-	22 889	22 889	22 889	35 000	36 925	38 955
Highest level of free service provided per household										
Property rates (R value threshold)		50	50		110 000	110 000	110 000	110 000	110 000	110 000
Water (kilolitres per household per month)		0	0		6	6	6	6	6	6
Sanitation (kilolitres per household per month)		-	-		-	-	-	-	-	-
Sanitation (Rand per household per month)		-	-		-	-	-	-	-	-
Electricity (kwh per household per month)		0	0		50	50	50	50	50	50
Refuse (average litres per week)		-	-		-	-	-	-	-	-
Revenue cost of subsidised services provided (R'000)	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)		-	-							
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		-	-	-	3 000	3 000	3 000	8 924	9 415	9 933
Water (in excess of 6 kilolitres per indigent household per month)		-	-	-	9 947	9 947	9 947	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	12 629	12 629	12 629	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		-	-	-	1 634	1 634	1 634	-	-	-
Refuse (in excess of one removal a week for indigent households)		-	-	-	10 779	10 779	10 779	-	-	-
Municipal Housing - rental rebates		-	-		-	-	-	-	-	-
Housing - top structure subsidies		-	-		-	-	-	-	-	-
Other		-	-		-	-	-	-	-	-
Total revenue cost of subsidised services provided	6	-	-	-	37 989	37 989	37 989	8 924	9 415	9 933

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Lekwa Teemane Local Municipality continues to make good progress with the eradication of backlogs:
 - a. Water services – Household receiving water is 14 626 and the backlog will be reduced to 718 households in 2018/19 and two outer years.
 - b. Sanitation services – Household receiving the services for the flush toilet connected to sewerage is 12 872, and household with flush toilet with septic tank is 575, and those using Pit toilet (Ventilated) 152, Household with other bucket toilet 7 and household with no toilet provisions 12 and it will reduce in 2020/21.
 - c. Electricity services – Household receiving the services for the electricity is 12 771, the electrification program will be prioritized, with 1000 households budgeted to be electrified in 2018/19.
 - d. Refuse services – household receiving these services is 10 900 and the backlog will be 4 687 in 2018/19, and it will remain the same in the outer two years of the MTREF. However, it should be noted that this function is being investigated with a view to realizing greater efficiencies, which is likely to translate into a more rapid process to address backlogs.
3. The budget provides for 7 092 households to be registered as indigent in 2018/19, and therefore entitled to receiving Free Basic Services. The number is set to increase to 10 000 households given the rapid rate of in-migration to the townships, especially by poor people seeking economic opportunities.
4. It is anticipated that these Free Basic Services will cost the municipality R35 million in 2018/19, increasing to R37 million in 2019/20 and increasing to R39 million. This is covered by the municipality's equitable share allocation from national government.
5. In addition to the Free Basic Services, the municipality also 'gives' households R9 million in free services for property rates
6. in 2018/19 and 2019/2020 then R10 million for 2020/21 financial year. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the 'free services' represent about 3 per cent of total operating revenue.

PART 2 – SUPPORTING DOCUMENTATION

2.1 Overview of the Annual Budget Process

Section 53 of the MFMA requires the Executive Mayor to provide general political guidance in the budget process and setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

2.1.1 Budget Process Review

In terms of section, 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year, August 2018, a time schedule that sets out the process to revise the IDP and prepare the budget.

The required IDP and budget time schedule were tabled on 31 August 2016

Key dates applicable to the process were:

- 29 March 2018 – Tabling of the 2018/19 – 2020/21 MTREF budget to Council.
- 10-22 April 2018 – Public Participation.
- 31 May 2018 – Council Approves the Final 2018/19 – 2020/21 MTREF budget.
- 14 July 2018 – Submit Final 2018/19 – 2020/21 MTREF budget documents to National Treasury and Provincial Treasury.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework rolled out into objectives, key performance indicators and targets for implementation, which directly inform the Service Delivery and Budget Implementation Plan.

The process plan included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the draft SDBIP; and
- The review of the performance management and monitoring processes.

2.1.3 Financial Modelling and Key Planning Drivers

The following key factors and planning strategies have informed the compilation of the 2018/19 MTREF:

- Growth of the Municipality
- National and Provincial priorities;
- Policy priorities and strategic objectives.
- Asset maintenance.
- Economic climate and trends.
- Performance trends.
- Cash Flow Management Strategy.
- Debtor Payment Levels and collection.

- Investment possibilities.
- The need for tariff increases versus the ability of the community to pay for services.
- Improved and sustainable service delivery.

Furthermore, the strategic guidance given in National Treasury's MFMA Circular 89 have been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation.

Council will have an extensive public participation process immediately after the tabling of 2018/19 – 2020/21 MTREF by Council on 29 March 2018. The public participation will be held on the 10-14 April 2018.

2.2 Overview of Alignment of Annual Budget with IDP

The Constitution mandates local government with the responsibility to exercise local development and cooperative governance. The eradication of imbalances in South African society can only be realised through a credible integrated development planning process.

The IDP provides a five-year strategic programme of action aimed at setting short; medium and long term strategic priorities to create a development platform; which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which Council use to provide vision. Leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables the municipality to make the best use of scarce resources and speed up service delivery.

IDP is an approach to planning aimed at involving the municipality and the community to find the best solutions towards sustainable development.

The IDP developed by Council must correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in the area. Applied to the towns, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The national and provincial priorities; policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009.
- Government Program of Action.
- Development Facilitation Act of 1995.
- Provincial Growth and Development Strategy (GGDS).
- National and Provincial spatial development perspectives.
- Relevant sector plans such as transportation; legislation and policy.
- National Key Performance Indicators (NKPIs)
- The National and Provincial Priority Outcome.

2.3 Measurable Performance Objectives and Indicators

Performance Management is a system intended to manage and monitor service delivery progress against identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system, which is constantly refined as the integrated planning process unfolds. The municipality targets, monitors, assesses and reviews organisational performance, which is currently not directly linked to individual employees' performance.

Reviewed previously and no amendments were made and it will still apply for 2017/2018 Financial Year.

2.4 Overview of Budget Assumptions.

2.4.1 External Factors.

Owing to the economic slowdown impact by the closure of major business around the municipal area, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the towns' finances.

2.4.2 General Inflation Outlook and its impact on the municipal activities.

Four key factors have been taken into consideration in the compilation of the 2018 /19 – 2020/21 MTREF.

- National Government macro-economic targets.
- The general inflationary outlook and the impact on the towns' residents and businesses.
- The impact of municipal cost drivers.
- The increase in prices for bulk electricity and water.

2.4.3 Interest Rates for Borrowing and Investment of Funds.

MFMA specifies that borrowing can only be utilized to fund capital or refinancing borrowing in certain conditions. No borrowings will be taken in the 2018/19 financial year

2.4.4 Collection Rate for Revenue Services.

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over long term. It is assumed that current economic conditions and relatively controlled inflationary conditions will continue for the forecasted term. For the medium term, inflation is expected to bridge the 5.3% band set by the Reserve Bank.

2.4.5 Growth or Decline in Tax Base of the Municipality.

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth of the Municipality, household formation growth rate and the poor household change rate.

2.4.6 Salary Increases

The current collective agreement expires at 30 June 2018. National Treasury in circular 89 Prescribes a salary increase of 5.3%.

2.4.7 Impact of National, Provincial and Local Policies.

Integration of service delivery between national; provincial and local government is critical to ensure focussed service delivery and, in this regard, various measures were implemented to align IDPs; provincial and national strategies around priority spatial interventions.

The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.4.8 Ability of the Municipality to Spend and Deliver on Programmes

Due to cash flow constraints it is estimated that the spending rate will be lower on operational expenditure. All grant-funded capital must be spent by the end of the financial year to avoid any fund being withheld by the NT.

2.5 Overview of Budget Funding

Tariff settings play a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal, property rates, operating and capital grants from organs of state and other minor charges like building plan fees, licenses and permits etc.

The revenue strategy is a function of key components such as:

- Growth in the towns and economic development.
- Revenue Management and Enhancement.
- Achievement of a higher annual collection rate for consumer revenue.
- National Treasury guidelines;
- Electricity tariff increases within the NERSA approval.
- Achievement of full cost recovery of specific user charges.
- Determining tariff escalation rate by establishing/calculating revenue requirements.
- The Property Rates Policy in terms of the MPRA.
- Ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers, aligned to the economic forecasts.

2.5.1 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The municipality's cash flow will be strictly monitored on a daily basis.

2.5.2 Annual Budgets and SDBIPs – Internal Departments

Technical Services Department (Water distribution)

The department is primarily responsible for the distribution of potable water within the municipal boundary, but we as the municipality are responsible for any repairs and maintenance.

Technical Service Department (Electricity distribution)

The department is primarily responsible for the distribution for electricity within the municipal boundary; which include maintenance of the distribution network and implementation of the departmental capital programs.

2.6 Legislation Compliance Status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

2.6.1 In-Year Reporting

Reporting to National Treasury in electronic format was complied with on a monthly basis. Section 71 reporting to the Mayor, NT & PT has been complied with, as well as the section 72 & 52 reporting. During the 2018/19 financial year, the municipality will strive for the improvement in the accuracy and reliability of the information submitted.

2.6.2 Internship Programme

Lekwa-Teemane Local Municipality is participating in the Municipal Financial Management Internship programme and has currently employed four interns that still undergo training in various divisions of the Budget and Treasury Office.

Six of the previous interns engaged since the inception of the programme have been permanently employed by Lekwa-Teemane Local Municipality.

2.6.3 Budget and Treasury Office

The Budget and Treasury Office have been established in accordance with the MFMA.

2.6.4 Audit Committee

An Audit Committee has been established and is fully functional. (shared service)

2.6.5 Municipal Public Accounts Committee

The Municipal Public Accounts Committee has been established and need to be capacitated to be fully functional.

2.6.6 Internal Audit Unit

The municipality is using a shared internal audit unit and is fully functional.

2.6.7 Service Delivery and Implementation Plan

The detail SDBIP document is at a final stage and is finalised and approved with the 2018/19 MTREF by 31 May 2018.

2.6.8 Annual Report

The Annual Report has been compiled in terms of the MFMA and National Treasury requirements. The Municipal Public Accounts Committee have engaged with the community and officials and will table their oversight report on the 2016/17 Annual Report in Council.